



**REGULAR MEETING**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**April 12, 2007**

The regular meeting was called to order by Vice President John Paull at 8:30 a.m. Thursday, April 12, 2007. Roll call was taken with all members of the Board being present except Mr. John Nielsen, who was excused. Board members and staff present were:

Elizabeth Nedrow, President  
John Paull, Vice President  
Robert Griffith, Member  
Jay Klawon, Member  
Troy McGee, Member  
John Nielsen, Member  
Terry Smith, Member  
Roxanne Minnehan, Executive Director  
Melanie Symons, Legal Counsel  
Scott Miller, Legal Assistant  
Anna Garza, Secretary

**OPEN MEETING**

Tim Jones, Great-West Retirement Services; Brand Boyar, Browning, Kaleczyc, Berry and Hoven PC (BKBH); Tom Schneider, MPEA; Rick Ryan, Matt Norby, and Jack Trethewey, members of the Montana State Firemen's Association; and Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; Kathy Samson, Defined Contributions Bureau Chief; Carolyn Miller, Administrative Officer; Rob Virts, Training and Development Specialist, joined the meeting.

**MINUTES OF OPEN MEETING**

The minutes of the open meeting of March 8, 2007 were presented. Mr. Robert Griffith moved that the minutes of the previous open meeting be approved. Mr. John Paull seconded the motion. Upon being submitted to vote, the motion was carried with five members voting aye. Mr. Jay Klawon abstained due to his absence from the March 8<sup>th</sup> meeting.

**Public Comment** – No public comment.

**EXECUTIVE DIRECTOR'S REPORT** – Roxanne Minnehan, Executive Director

**MPERB-GWRS Administrative Recordkeeping Contract Draft** – Melanie Symons

The draft of Exhibit 1 to the GWRS contract was presented to the Board. The changes that were made to the Exhibit were discussed. Standards of performance were moved up front and a new standard of performance was added referencing an agreement between us and Great West for reconciling purposes. The contract proposes to have 3 account executives as opposed to 2, with the intent to cover the eastern and western part of the state, and the Helena area. The contract would allow for a new administrative assistant if need be due to the growing number of members. The Exhibit was determined to be a work in progress. Mr. Robert Griffith moved to approve the Exhibit with the additional account executive. Mr. Troy McGee seconded the motion. The motion carried 6 to 0.

**EIAC Annual Fund Review Recommendations** – Kathy Samson

457 Deferred Compensation Plan- The Employee Investment Advisory Council (EIAC) met at the end of February with Howard Biggs, Arnerich, Massena and Associates, Investment Consultant. Mr. Biggs presented the annual review of investment options. As of December 31, 2006 the Neuberger Berman High Income Investor is currently on probation due to it underperforming to its peer group for the same reasons as last year. Arnerich and EIAC recommend retaining the fund on probation. The consultant originally recommended probation for TCW Galileo Select Equities. After discussion with EIAC, the recommendation from both is termination and mapping to the Fidelity Contra. Last year the fund was placed on probation due to a change in management. The management change is not going as anticipated and the fund is redundant or similar to the Fidelity Contrafund. Mr. Jay Klawon made a motion to accept and approve the EIAC/Arnerich recommendation to maintain the Neuberger Berman High Income Investor on probation, terminate the TCW Galileo Select Equities and map to the Fidelity Contrafund for the 457 Deferred Compensation Plan. The motion was seconded by Ms. Elizabeth Nedrow. The motion carried 6 to 0.

401(a) Defined Contribution Retirement Plan- The Board agreed to make a motion based upon their prior review of the information. Mr. Jay Klawon made a motion to approve Option A and accept and approve EIAC recommendations to maintain the SSGA International Growth Opportunities on probation and remove the Vanguard Equity Income from probation. The motion was seconded by Mr. Robert Griffith. The motion carried 6 to 0.

**Investment Consulting Draft RFP** – Kathy Samson

Ms. Samson presented the Board with a schedule of events. Key dates are: RFP issued April 20, 2007, responses are due May 25, 2007, oral presentations to EIAC will be June 21, 2007, and the anticipated contract date is August 1, 2007. Ms. Samson also presented changes to the draft included in the Board packet. The changes were made due to an RFP committee meeting that was held a week before the draft went into the Board packets. The changes were made based on information from the meeting. There are significant changes that were made due to changes in the state procurement's processes that they were not aware of. State procurement had strong recommendations about what was in the evaluation. The RFP committee met again Monday to go over the draft again and made the changes. The two-tier approach is now being eliminated. There is a modification regarding the quarterly data sheets. The selected offeror must prepare and

provide quarterly data sheets for the quarter ending June 30, 2007 no later than September 1, 2007, was added. This addition was made due to the expiration of the current Arnerich & Massena contract at the end of February; quarterly data sheets will not be received for the quarter ending March 31. The staff prefers to not have further quarters pass without updates. It will now be a required service for training to be provided by the consultant to the EIAC. Due to this requirement some additional questions were added regarding this training. Mr. Jay Klawon moved to accept the draft with modifications. Ms. Elizabeth Nedrow seconded the motion. The motion carried 6 to 0.

**VCP 125 Plan Agreement – IRS Response** – Melanie Symons

No information has been received from the IRS.

**VCP Submission Request – Brand Boyar** - Melanie Symons

Mr. Brand Boyar, tax counsel for the City of Bozeman and the City of Great Falls has submitted a request to PERA to release the voluntary correction program (VCP Submission) to his clients. The document includes the statutes, policies and rules of PERA, what we purpose to do and are obligated to do beginning January 1, 2006 in compliance with tax law. The VCP Submission was authored by the Board's tax counsel and is protected from disclosure as attorney/client privileged communication. As the client, the Board may waive the protection and provide the information to the requestors. Everything in the VCP Submission is documented. PERA is hesitant to release the submission due to possible outside contact with the IRS that could delay the process. Staff recommends that the VCP Submission not be released until a Compliance Statement has been issued to the Board by the IRS. Mr. Brand Boyar made a statement that they just would like to know what is in the document, not to delay the process. Mr. Jay Klawon made a motion not to release the submission until a Compliance Statement has been issued to the Board by the IRS. The motion was seconded by Mr. Troy McGee. When put to vote the motion carried, 5 to 1.

**Out of State Travel Authorization** – Mr. Jay Klawon made a motion to approve the out of state travel authorization for Melanie Symons and Scott Miller to attend the NAPPA Educational Conference in Vail, Colorado, June 25-29. Mr. Robert Griffith seconded the motion, which upon being submitted to vote, was carried 6 to 0. Attendees were asked when they come back if they could bring back some information regarding the Pension Protection Act for the implementation of the \$3,000 exclusion for healthcare and long term care premium for retired Public Safety Officers.

**PERB Board Elections- President/Vice President:** Mr. John Paull made a motion to nominate Ms. Elizabeth Nedrow to be President of the PERB, Mr. Robert Griffith seconded the motion. Motion was carried 6 to 0. Mr. Bob Griffith moved to nominate Mr. John Paull as Vice President of the PERB, the motion was seconded by Mr. Jay Klawon. The motion carried 6 to 0.

Ms. Elizabeth Nedrow took over as Chair of the Board meeting.

**Legislative Committee Report** – Robert Griffith/Staff

Mr. Griffith complimented the staff on their performance at the session. Mr. Griffith turned the floor over to Ms. Roxanne Minnehan to report on the status of these bills:

HB129, *the Board's General Revisions bill*, was signed by the Governor.

HB125, *Repay loan for startup costs of the defined contribution retirement plan*, passed out of committee unanimously April 12<sup>th</sup>.

HB131, *Generally revise public employee retirement laws*, the Governor's funding bill, executive action was taken on April 11<sup>th</sup> in Senate Finance and Claims. PERA asked that the House Amendment removing the allocation of the DC employer contributions increase be eliminated. There was also an amendment to take out the small systems that are actuarially sound. HB131 then passed committee with both amendments; however it was not assigned to anyone to carry on the Senate floor. This bill is being monitored.

#### **Personnel Committee Report** – Elizabeth Nedrow/Staff

The Personnel Committee met April 6th with the DOA negotiator on the management side and the Union Negotiator on the Union side. Union presented 3 requests. The requests were that the 0.6% wage increase be applied across the board, that we use the 2006 market salary survey, and that employees who are out on Workman's Compensation would have their medical premiums continue to be paid for up to a year. There was no agreement made due to the requests needing to be evaluated financially in regards to our limitation under the expense cap. There will be another meeting April 23, 2007 where the Committee will provide a formal written counter proposal to the Union negotiations.

#### **Staffing Updates** – Roxanne Minnehan

Ms. Roxanne Minnehan reported on the following MPERA staffing:

1. Executive Assistant – Anna Garza was hired. Thursday, April 12<sup>th</sup> is her first day on the job. She has approximately 7 years in the Air Force. She worked as the Commander's Executive Assistant/Work Group Manager, Training and Resources Executive Assistant, and Commander's Support Staff Information Manager. She earned an Associates Degree in Applied Science, Information Management while in the Air Force. She has some supervisory experience.
2. Receptionist Position – Shani Anderson was hired and started on Monday, April 2<sup>nd</sup>. She has prior Customer Service experience.
3. IT Programmer – The position has been re-classified. It remains a Pay Band 5. It has been classified as a Systems Analyst which is in a higher salary range.
4. Auditor – New Position. It was posted in-house and closes April 12<sup>th</sup>. If there are no in-house applicants an external posting will be through April 30, 2007.

New Board Member Appointment – John Nielsen. The Governor appointed him on Wednesday, April 4, 2007. He is from Glendive, Montana. His term expires April 1, 2012. He is a Public Employee and an active member in the Public Employees' Retirement System.

#### **Board of Investments Update** – John Paull

There have been a couple of changes made in the Montana Domestic Equity Pool. An RFP was recently issued for active US domestic large cap managers. The Board of Investments (BOI) received over 100 responses to the RFP, the BOI staff and RV Kuhns will be evaluating the responses and by April 16<sup>th</sup> will start doing preliminary scoring. They are looking for new managers with active style base growth and value long only strategies and partial long short strategies. The new managers should be up and running by late July or early August. Mr. Paull explained that a long and short strategy is an actively managed strategy utilizing both long and short equity. It has a limited amount allowable to sell short, usually 20% or 30%. The proceeds of the short sales are used to buy more long positions so that net market exposure is equal to 100%. This was one of the recommendations that came down from RV Kuhns and the IFS study. Next BOI meeting is in early May. In the Real Estate Investment Pool, BOI staff just recently interviewed 4 new non-core managers. It was decided to commit a total of \$110 million to these new managers. This brought total commitments up to \$369.2 million which also included \$20 million added to core funds. The target range is 5% of the total pension assets. They want to reach the targeted goal by the end of 2008.

**Litigation Update** – Melanie Symons and Scott Miller

Ms. Melanie Symons reported on the *Teichrow* case that Ms. Baker filed a Brief in Support of Defendants' motion for summary judgment on wrongful discharge claim. Mr. Teichrow's attorney's response is due the end of this month. It is still proceeding.

**Future Board Meetings** – Thursday: May 10, and June 14, 2007.

**Operational Summary Report** – There were no information summary reports for this meeting.

**The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.**

**SYNOPSIS OF THE CLOSED MEETING**

The minutes of the closed meeting of March 8, 2007 were presented. Mr. John Paull moved to approve the minutes of the March 8, 2007 meeting. Mr. Troy McGee seconded the motion, which upon being submitted to vote, was duly carried with the five attending members voting aye. Mr. Jay Klawon abstained due to his absence from the March 8, 2007 meeting.

**Contested Cases**

**Informal Consideration** – PERS, Default Election Appeal, PP

Ms. Kathy Samson presented the case to the Board. PP did not file a PERS retirement plan election (DBRP or DCRP) within the statutory 12 month election window. Because an election was not filed, PP's plan participation defaulted to the DBRP and the system-generated default notice was sent.

PP is appealing the staff's determination to not accept an election to the DCRP.

Mr. Terry Smith moved to approve PP's request to be added to the Defined Contribution Retirement plan and reverse her default to the Defined Benefit Plan. The motion was seconded by Mr. John Paull. When put to vote there was a tie among the Board members 3 to 3. Mr. Troy McGee moved to uphold the staff determination and deny the request to reverse the default election into the Defined Benefit Plan. Mr. Robert Griffith seconded the motion. The motion carried 4 to 2.

#### **Informal Consideration – FURS, GABA Election Appeal, SB**

Ms. Kim Flatow presented this case to the Board. As a non-GABA covered retiree, SB received an election for GABA coverage; however, MPERA did not receive SB's election. He recently found a copy of his 2001 GABA election and is now asking the Board to accept the GABA election at this time.

Mr. Jay Klawon made a motion to accept the late filing. Mr. John Paull seconded the motion. The motion carried 4 to 2.

#### **Informal Reconsideration – PERS, Disability Denial Appeal, CJ**

Ms. Katie Linjatje presented this case to the Board. CJ has worked as a Property Valuation Tech and resigned on November 21, 2006 due to headaches, anxiety and depression. The Board denied her initial claim for disability benefits in March 2007.

CJ appeared before the Board to state her case.

Mr. Jay Klawon made a motion to approve disability benefits with annual review for CJ. Mr. Terry Smith seconded the motion. The motion carried 5 to 1.

#### **Retirement Report**

- Disability Claims/Reviews:
  - FA has worked as a Custodian and resigned in 2004. He has been diagnosed with chronic plantar fasciitis heel spur syndrome, diabetes, obesity, degenerative disc disease and foraminal stenosis. The Disability Examiner stated that FA's medical conditions prior to his resignation involve his left foot. However, the debilitating diagnosis appears to be plantar fasciitis in his right heel which is noted to have developed during the summer of 2006. Therefore, the Disability Examiner recommends denial of disability benefits. Mr. Troy McGee moved to deny benefits. The motion carried 6 to 0.
  - MB has worked as a Claims Adjuster. He has been diagnosed with Transient Ischemic Attacks by Dr. Karen Cody. The Disability Examiner believes that the medical records

thorough review do not support MB's claim for disability retirement. She requested permission to obtain an IME with a neurologist. Mr. John Paull moved to approve the request for a medical examination for MB. Mr. Terry Smith seconded the motion. The motion carried 6 to 0.

- Finalized Service Retirements Disability Benefit Payments

Ms. Kim Flatow presented the Board with the report. Mr. Robert Griffith made a motion to approve the finalized service retirements and disability benefit payments. The motion was seconded by Mr. John Paull. The motion carried 6 to 0.

**Contested Case/Litigation Updates** – Melanie Symons

Ms. Melanie Symons reported on the Administrative Rule rewrite. We are going to have to update our rules with the changes for 2007. It will probably be May when there will be something to talk about with this.

Ms. Melanie Symons reported on the *JT* contested case – We won the case, he did not appeal. Appeal time expired on April 9, 2007. Next month will have an order for the Board to sign.

Ms. Melanie Symons reported on the *SW* contested case – SW is contesting the Board's denial of his request to elect GABA. We have a motion for summary judgment and several other motions. We hopefully will get a decision soon.

Ms. Melanie Symons reported on *JC* – JC did not appeal. JC has been paid and the case is closed.

Mr. Scott Miller reported that they are continuing to review the Board policies. The Board will review the decision in the *H* case at its next month Board meeting.

Mr. Scott Miller reported on the Lodge Grass School District – They told Mr. Miller that they sent everything that they found yesterday or Tuesday. He has not received anything yet.

**ADJOURNMENT**

There being no other business before the Board, Mr. Jay Klawon moved to adjourn the meeting. Mr. John Paull seconded the motion. The motion passed with all six votes. Ms. Elizabeth Nedrow adjourned the meeting at approximately 12:45 pm. The next meeting is scheduled for May 10, 2007, at 8:30 a.m. in Helena.